Risk Factors Comparison 2024-02-29 to 2023-02-27 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information contained in this report and in our other public filings. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that affect us. If any of the following risks occur, our business, financial condition, operating results, and prospects could be materially harmed. In that event, the trading price of our common stock could decline, perhaps significantly. The order of presentation is not necessarily indicative of the level of risk that each factor poses to us. Risks Related to Our Business, Operations and Industry ~~The COVID- 19 pandemic could have a material adverse effect on our ability to operate effectively. As a result, our business, financial condition and results of operations could be significantly harmed. The World Health Organization has declared the COVID- 19 outbreak a pandemic, and the virus continues to exist in areas where we operate and sell our products and services. The COVID- 19 pandemic, actions taken in response to it and similar or related issues in the future could have a material adverse effect on our ability to operate, results of operations, financial condition, liquidity, and capital investments. Several public health organizations have periodically recommended, and many local governments have implemented, measures to slow and limit the transmission of the virus, including shelter in place and social distancing ordinances. Such preventive measures, or others we may voluntarily put in place, may have a material adverse effect on our business for an indefinite period of time, such as the potential shut down of certain locations, decreased employee availability, potential border closures, disruptions to the businesses of our channel partners, and others. Additionally, we face additional risks and challenges related to having a portion of our workforce working from home, including added pressure on our IT systems and the security of our network, and challenges as our team is limited in its ability to provide in- person support to our customers. Our team' s general efficiency, moreover, was challenged by virtue of COVID- 19 restrictions which restricted their ability to collaborate by electronic means rather than in- person meetings. The global economic downturn caused by COVID- 19 could materially and adversely affect our customers, and thus could negatively impact demand for our products and our operating results. Our customers may experience business interruptions due to health risks, governmental policies or financial hardships. Business interruptions that are sustained for an extended time period due to the outbreak could have a material negative impact on our business and operations. For example, the postponement of the Japan 2020 Olympics negatively impacted demand in Japan for our products in 2020. Conversely, certain of our service provider customers have experienced, in the past, increased demand for their solutions due to shelter in place practices globally, which in turn, increased demand for our solutions, but there can be no assurance whether this will continue to occur, or to what extent, if at all, given the present degree of uncertainty. COVID- 19 may result in supply shortages of our products or our ability to import, export or sell product to customers in both the U. S. and international markets. The ongoing global semiconductor shortage is causing disruptions in many diverse businesses and is expected to continue in the near term. If these shortages and supply chain disruptions continue or worsen, our business could suffer, which would harm our financial results. Any decrease, limitations or delays on our ability to import, export, or sell our products would harm our business. For example, we have experienced mild challenges providing support to our customers due to limitations on our ability to interact with them in person. The supply chains of our contract manufacturers' and many of our vendors may source products, parts or components from vendors experiencing business interruptions. Our support team' s ability to identify, rectify and consistently apply solutions to customer inquiries and support calls have likewise been negatively impacted by COVID- 19 prohibitions on in- person meetings. There are many uncertainties around COVID- 19, including scientific and health issues, the unknown duration and extent of economic disruption on the global economy. Due to COVID- 19, we face heightened risk to our business and operations. We cannot predict what impacts may arise in the future due to the evolving nature of the COVID- 19 pandemic.~~ If we do not successfully anticipate market needs and opportunities or if the market does not continue to adopt our application delivery solutions, our business, financial condition and results of operations could be significantly harmed. The application delivery market is rapidly evolving and difficult to predict. Technologies, customer requirements, security threats and industry standards are constantly changing. As a result, we must anticipate future market needs and opportunities and then develop new products or enhancements to our current products that are designed to address those needs and opportunities, and we may not be successful in doing so. We continuously seek to enhance and improve our solutions we make available to our customers. However, even if we are able to anticipate, develop and commercially introduce new products and enhancements that address the market' s needs and opportunities, there can be no assurance that new products or enhancements will achieve widespread market acceptance. For example, organizations that use other conventional or first- generation application delivery solutions for their needs may believe that these solutions are sufficient. In addition, as we launch new product offerings, organizations may not believe that such new product offerings offer any additional benefits as compared to the existing application delivery solutions that they currently use. Accordingly, organizations may continue allocating their IT budgets for existing application solutions and may not adopt our solutions, regardless of whether our solutions can offer superior performance or security. If we fail to anticipate market needs and opportunities or if the market does not continue to adopt our application delivery solutions, then market acceptance and sales of our current and future application delivery solutions could be substantially decreased or delayed, we could lose customers, and our revenue may not grow or may decline. Any of such events would significantly harm our business, financial condition and results of operations. Our success depends on our timely development of new products and features to address rapid technological changes and evolving customer requirements. If we are unable to timely develop and successfully introduce new products and features that adequately address these changes and requirements, our business and operating results could be adversely affected. Changes in application software technologies, data center and communications hardware, networking software and operating systems, and industry standards, as well as our end- customers' continuing business growth, result in evolving application networking needs and requirements. Our continued success depends on our ability to identify, develop and introduce in a timely and successful manner, new products and new features for our existing products that meet these needs and requirements. Our future plans include significant investments in research and development and related product opportunities. Developing our products and related enhancements is time- consuming and expensive. We have made significant investments in our research and development team in order to address these product development needs. Our investments in research and development may not result in significant design and performance improvements or marketable products or features, or may result in products that are more expensive than anticipated. We may take longer to generate revenue, or generate less revenue, than we anticipate from our new products and product enhancements. We believe that we must continue to dedicate a significant amount of resources to our research and development efforts to maintain our competitive position. We continuously seek to enhance and improve our solutions. However, if we are unable to develop new products and features to address technological changes and new customer requirements in the application networking or security markets, or if our investments in research and development do not yield the expected benefits in a timely manner, our business and operating results could be adversely affected. We have experienced net losses in the past and may not maintain profitability in future periods. If we cannot maintain profitability, our financial performance will be harmed and our business may suffer ~~. We experienced net losses for the years ended December 31, 2019 and 2018. We also experienced declines in total revenue, as well as declines in revenue in the Americas, during the years ended December 31, 2019 and 2018, as compared to each of the prior years. Although one of our priorities is to strengthen our marketing efforts and channel relationships in the Americas, there can be no assurance that such efforts will be successful. During the years ended December 31, 2019 and 2018, we invested in our sales, marketing and research and development teams in order to develop, market and sell our products. We may continue to invest in these areas in the future. As a result of these expenditures, we may have to generate and sustain increased revenue, manage our cost structure and avoid significant liabilities to achieve future profitability~~ . We may not be able to increase our quarterly revenue or maintain profitability in the future or on a consistent basis, and we may incur significant losses in the future for a number of possible reasons, including our inability to develop products that achieve market acceptance, general economic conditions, increasing competition, decreased growth in the markets in which we operate, regulatory or other governmental actions over which we have no control, or our failure for any reason to capitalize on growth opportunities. Additionally, we may encounter unforeseen operating expenses, difficulties, complications, delays and other unknown factors that may result in losses in future periods. If these losses exceed our expectations or our revenue growth expectations are not met in future periods, our financial performance will be harmed and our stock price could be volatile or decline. Our operating results have varied and are likely to continue to vary significantly from period to period and may be unpredictable, which could cause the trading price of our common stock to decline. Our operating results, in particular, revenue, margins and operating expenses, have fluctuated in the past, and we expect this will continue, which makes it difficult for us to predict our future operating results. The timing and size of sales of our products are highly variable and difficult to predict and can result in significant fluctuations in our revenue from period to period. This is particularly true of sales to our largest end- customers, such as service providers, enterprise customers and governmental organizations, who typically make large and concentrated purchases and for whom close or sales cycles can be long, as a result of their complex networks and data centers, as well as requests that may be made for customized features. Our quarterly results may vary significantly based on when these large end- customers place orders with us and the content of their orders. Our operating results may also fluctuate due to a number of other factors, many of which are outside of our control and may be difficult to predict. In addition to other risks listed in this " Risk Factors " section, factors that may affect our operating results include: • ~~The impact of COVID- 19 on our business and on the business of our customers and business partners, as well as on the economy in general; •~~ fluctuations in and timing of purchases from, or loss of, large customers; • the budgeting cycles and purchasing practices of end- customers **; • changes in end- customer preferences, practices or personnel** ; • our ability to attract and retain new end- customers; • our ability to provide and enhance efficient operations; • changes in demand for our products and services, including seasonal variations in customer spending patterns or cyclical fluctuations in our markets; • our reliance on shipments at the end of our quarters; • variations in product mix or geographic locations of our sales, which can affect the revenue we realize for those sales; • the timing and success of new product and service introductions by us or our competitors; • our ability to increase the size of our distribution channel and to maintain relationships with important distribution channels; • our ability to improve our overall sales productivity and successfully execute our marketing strategies; • the effect of currency exchange rates on our revenue and expenses; • changes in legal requirements, our compliance obligations and / or relevant tax schemas; • the cost and potential outcomes of existing and future litigation; • expenses related to our facilities, networks, and network operations; • the effect of discounts negotiated by our largest end- customers for sales or pricing pressure from our competitors; • changes in the growth rate of the application networking or security markets or changes in market needs; • inventory write downs, which may be necessary for our older products when our new products are launched and adopted by our end- customers; • our ability to expand internationally and domestically; and • our third- party manufacturers' and component suppliers' capacity to meet our product demand forecasts on a timely basis, or at all. Any one of the factors above or the cumulative effect of some of these factors may result in significant fluctuations in our financial and other operating results. This variability and unpredictability could result in our failure to meet our or our investors' or securities analysts' revenue, margin or other operating results expectations for a particular period, resulting in a decline in the trading price of our common stock. Reliance on shipments at the end of the quarter could cause our revenue for the applicable period to fall below expected levels. As a result of end- customer buying patterns and the efforts of our sales force and distribution ~~channel~~ **channels** ~~partners~~ to meet or exceed their sales objectives, we have historically received a substantial portion of purchase orders and generated a substantial portion of revenue during the last few weeks of each quarter. We may be able to recognize such revenue in the quarter received, however, only if all of the requirements of revenue recognition are met by the end of the quarter. Any significant interruption in our information technology systems, which manage critical functions such as order processing, revenue recognition, financial forecasts, inventory and supply chain management, could result in delayed order fulfillment and thus decreased revenue for that quarter. If expected revenue at the end of any quarter is delayed for any reason, including the failure of anticipated purchase orders to materialize (including delays by our customers or potential customers in consummating such purchase orders), our third- party manufacturers' inability to manufacture and ship products prior to quarter- end to fulfill purchase orders received near the end of the quarter, our failure to manage inventory to meet demand, our inability to release new products on schedule, any failure of our systems related to order review and processing, or any delays in shipments or achieving specified acceptance criteria, our revenue for that quarter could fall below our, or our investors' or securities analysts' expectations, resulting in a decline in the trading price of our common stock **. For example, in 2023, we experienced longer sales cycles and customer uncertainty that resulted in delayed orders** . We face intense competition in our market, especially from larger, well- established companies, and we may lack sufficient financial or other resources to maintain or improve our competitive position. The application networking and security markets are intensely competitive, and we expect competition to increase in the future. To the extent that we sell our solutions in adjacent markets, we expect to face intense competition in those markets as well. We believe that our main competitors fall into the following categories: • Companies that sell products in the traditional ADC market such as F5 Networks, Inc. (" F5 Networks ") and Citrix Systems, Inc. (" Citrix Systems "); • Companies that sell open source, software- only, cloud- based ADC services, such as Avi Networks Inc. (" Avi Networks "), NGINX Inc. (" NGiNX "), and HAProxy Technologies, Inc. (" HAProxy ") as well as many startups; • Companies that sell CGN products, which were originally designed for other networking purposes, such as edge routers and security appliances from vendors like Cisco Systems, Inc. (" Cisco Systems "), Juniper Networks, Inc. (" Juniper Networks ") and Fortinet, Inc. (" Fortinet "); • Companies that sell traditional DDoS protection products, such as Arbor Networks, Inc., a subsidiary of NetScout Systems, Inc. (" Arbor Networks ") and Radware, Ltd. (" Radware "); • Companies that sell SSL decryption and inspection products, such as Symantec Corporation (through its acquisition of Blue Coat Systems Inc. in 2016) and F5 Networks; and • Companies that sell certain network security products, including Secure Web Gateways, SSL Insight / SSL Intercept, data center firewalls and Office 365 proxy solutions. Many of our competitors are substantially larger and have greater financial, technical, research and development, sales and marketing, manufacturing, distribution and other resources and greater name recognition. In addition, some of our larger competitors have broader products offerings and could leverage their customer relationships based on their other products. Potential customers who have purchased products from our competitors in the past may also prefer to continue to purchase from these competitors rather than change to a new supplier regardless of the performance, price or features of the respective products. We could also face competition from new market entrants, which may include our current technology partners. As we continue to expand globally, we may also see new competitors in different geographic regions. Such current and potential competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their resources. Many of our existing and potential competitors enjoy substantial competitive advantages, such as: • longer operating histories; • the capacity to leverage their sales efforts and marketing expenditures across a broader portfolio of products and services at a greater range of prices including through selling at zero or negative margins; • the ability to incorporate functionality into existing products to gain business in a manner that discourages users from purchasing our products, including through product bundling or closed technology platforms; • broader distribution and established relationships with distribution channel partners in a greater number of worldwide locations; • access to larger end- customer bases; • the ability to use their greater financial resources to attract our research and development engineers as well as other employees of ours; • larger intellectual property portfolios; and • the ability to bundle competitive offerings with other products and services. Our ability to compete will depend upon our ability to provide a better solution than our competitors at a competitive price. We may be required to make substantial additional investments in research and development, marketing and sales in order to respond to competition, and there is no assurance that these investments will achieve any returns for us or that we will be able to compete successfully in the future. We also expect increased competition if our market continues to expand. Moreover, conditions in our market could change rapidly and significantly as a result of technological advancements or other factors. In addition, current or potential competitors may be acquired by third parties that have greater resources available. As a result of these acquisitions, our current or potential competitors might take advantage of the greater resources of the larger organization to compete more vigorously or broadly with us. In addition, continued industry consolidation might adversely impact end- customers' perceptions of the viability of smaller and even medium- sized networking companies and, consequently, end- customers' willingness to purchase from companies like us. As a result, increased competition could lead to fewer end- customer orders, price reductions, reduced margins and loss of market share. Cloud- based computing trends present competitive and execution risks. We are experiencing an industry- wide trend of customers considering transitioning from purely on- premise network architectures to a computing environment that may utilize a mixture of existing solutions and various new cloud- based solutions. Concurrently with this transition, pricing and delivery models are also evolving. Many companies in our industry, including some of our competitors, are developing and deploying cloud- based solutions for their customers. In addition, the emergence of new cloud infrastructures **and artificial intelligence or other tools** may enable new companies to compete with our business. These new competitors may include large cloud providers who can provide their own ADC functionality as well as smaller companies targeting applications that are developed exclusively for delivery in the cloud. We are dedicating significant resources to develop and offer our customers new cloud- based solutions and are training our sales teams as necessary to adapt to market trends. Also, some of our largest customers are cloud providers that utilize our existing solutions, and we believe that as cloud infrastructures continue to grow our existing solutions may provide benefits to other cloud providers. While we believe our expertise and dedication of resources to developing new cloud- based solutions, together with the benefits that our existing solutions offer cloud providers, represent advantages that provide us with a strong foundation to compete, it is uncertain whether our efforts to develop new cloud- based **and related** solutions or our efforts to market and sell our existing solutions to cloud providers will attract the customers or generate the revenue necessary to successfully compete in this new business model. Nor is it clear when or in what manner this new business model will evolve, and this uncertainty may delay purchasing decisions by our customers or prospective customers. Whether we are able to successfully compete depends on our execution in a number of areas, including maintaining the utility, compatibility and performance of our software on the growing assortment of cloud computing platforms and the enhanced interoperability requirements associated with orchestration of cloud computing environments. We will also need to enhance and develop the infrastructure necessary to support the delivery of these services as well as the skills of our personnel who sell, provide and maintain them. Any failure to adapt to these evolving trends may reduce our revenue or operating margins and could have a material adverse effect on our business, results of operations and financial condition. If we are not able to maintain and enhance our brand and reputation, our business and operating results may be harmed in tangible or intangible ways. We believe that maintaining and enhancing our brand and reputation are critical to our relationships with and our ability to attract, new end- customers, technology partners and employees. The successful promotion of our brand will depend largely upon our ability to continue to develop, offer and maintain high- quality products and services, our marketing and public relations efforts, and our ability to differentiate our products and services successfully from those of our competitors. Our brand promotion activities may not be successful and may not yield increased revenue. In addition, extension of our brand to products and uses different from our traditional products and services may dilute our brand, particularly if we fail to maintain the quality of products and services in these new areas. We have in the past, and may in the future, become involved in litigation and / or operational difficulties that could negatively affect our brand. If we do not successfully maintain and enhance our brand and reputation, our growth rate may decline, we may have reduced pricing power relative to competitors with stronger brands or reputations, and we could lose end- customers or technology partners, all of which would harm our business, operating results and financial condition. A limited number of our end- customers, including service providers, make large and concentrated purchases that comprise a significant portion of our revenue. Any loss or delay of expected purchases by our largest end- customers could adversely affect our operating results. As a result of the nature of our target market and the current stage of our development, a substantial portion of our revenue in any period comes from a limited number of large end- customers, including service providers. During the years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~, purchases by our ten largest end- customers accounted for approximately **33 %,** 41 % ~~,~~ **and** 39 ~~% and 41~~ % of our total revenue, respectively. The composition of the group of these ten largest end- customers changes from period to period, but often includes service providers and enterprise customers. During the years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~, service providers accounted for approximately **58 %,** 66 % ~~,~~ **and** 63 ~~% and 61~~ %, of our total revenue, respectively, and enterprise customers accounted for approximately **42 %,** 34 % ~~,~~ **and** 37 ~~% and 39~~ % of our total revenue, respectively. Sales to these large end- customers have typically been characterized by large but irregular purchases with long initial sales cycles. After initial deployment, subsequent purchases of our products typically have a more compressed sales cycle. The timing of these purchases and of the requested delivery of the purchased product is difficult to predict. As a consequence, any acceleration or delay in anticipated product purchases by or requested deliveries to our largest end- customers could materially affect our revenue and operating results in any quarter and cause our revenue and operating results to fluctuate from quarter to quarter. We cannot provide any assurance that we will be able to sustain or increase our revenue from our largest end- customers nor that we will be able to offset any absence of significant purchases by our largest end- customers in any particular period with purchases by new or existing end- customers in that or a subsequent period. We expect that sales of our products to a limited number of end- customers will continue to contribute materially to our revenue for the foreseeable future. The loss of, or a significant delay or reduction in purchases by, a small number of end- customers could have a material adverse effect on our consolidated financial position, results of operations or cash flows. Our business could be adversely impacted by changes demanded by our customers in the deployment and payment models for our products. Our customers have traditionally demanded products deployed in physical, appliance- based on- premise data centers that are paid in full at the time of purchase and include perpetual licenses for our software products. While these products remain central to our business, new deployment and payment models are emerging in our industry that may provide some of our customers with additional technical, business agility and flexibility options. These new models include cloud- based applications provided as SaaS and software subscription licenses where license and service fees are ratable and correlate to the type of service used, the quantity of services consumed or the length of time of the subscription. These models have accounting treatments that may require us to recognize revenue ratably over an extended period of time. If a substantial portion of our customers transition from on- premise- based products to such cloud- based, consumption and subscription- based models, this could adversely affect our operating results and could make it more difficult to compare our operating results during such transition period with our historical operating results. Some of our large end- customers demand favorable terms and conditions from their vendors and may request price or other concessions from us. As we seek to sell more products to these end- customers, we may agree to terms and conditions that may have an adverse effect on our business. Some of our large end- customers have significant purchasing power and, accordingly, may request from us and receive more favorable terms and conditions, including lower prices than we typically provide. As we seek to sell products to this class of end- customer, we may agree to these terms and conditions, which may include terms that reduce our gross margin and have an adverse effect on our business. Our gross margin may fluctuate from period to period based on the mix of products sold, the geographic location of our customers, price discounts offered, required inventory write downs and exchange rate fluctuations. Our gross margin may fluctuate from period to period in response to a number of factors, such as the mix of our products sold and the geographic locations of our sales. Our products tend to have varying gross margins in different geographic regions. We also may offer pricing discounts from time to time as part of a targeted sales campaign or as a result of pricing pressure from our competitors. In addition, our larger end- customers may negotiate pricing discounts in connection with large orders they place with us. The sale of our products at discounted prices could have a negative impact on our gross margin. We also must manage our inventory of existing products when we introduce new products. If we are unable to sell the remaining inventory of our older products prior to or following the launch of such new product offerings, we may be forced to write down inventory for such older products, which could also negatively affect our gross margin. Our gross margin may also vary based on international currency exchange rates. In general, our sales are denominated in U. S. Dollars; however, in Japan they are denominated in Japanese Yen. Changes in the exchange rate between the U. S. Dollar and the Japanese Yen has, in the past, and may in the future affect our actual revenue and gross margin. Changes in foreign exchange rates, especially between the U. S. Dollar and the Japanese Yen, could impact the purchasing decisions of our customers. We generate a significant amount of revenue from sales to distributors, resellers, and end- customers outside of the United States, and we are therefore subject to a number of risks that could adversely affect these international sources of our revenue. A significant portion of our revenue is generated in international markets, including Japan, Western Europe, ~~China,~~ Taiwan and South Korea. During the years ended December 31, **2023,** 2022, **and** 2021, ~~and 2020,~~ approximately **55 %,** 54 % ~~,~~ **and** 60 ~~% and 63~~ % of our total revenue, respectively, was generated from customers located outside of the United States. If we are unable to maintain or continue to grow our revenue in these markets, our financial results may suffer. As a result, we must hire and train experienced personnel to staff and manage our foreign operations. To the extent that we experience difficulties in recruiting, training, managing and retaining an international staff, and specifically sales management and sales personnel, we may experience difficulties in sales productivity in foreign markets. We also seek to enter into distributor and reseller relationships with companies in certain international markets where we do not have a local presence. If we are not able to maintain successful distributor relationships internationally or recruit additional companies to enter into distributor relationships, our future success in these international markets could be limited. Business practices in the international markets that we serve may differ from those in the United States and may require us in the future to include terms in customer contracts other than our standard terms. To the extent that we may enter into customer contracts in the future that include non- standard terms, our operating results may be adversely impacted. We have a significant presence in international markets and plan to continue to expand our international operations, which exposes us to a number of risks that could negatively affect our future business. We have personnel in numerous countries including in the following countries and regions: the United States, Western Europe, India, the Middle East, Japan, Taiwan, South Korea, Southeast Asia and Latin America. As we maintain our international operations, we are subject to a number of risks, including the following: • greater difficulty in enforcing contracts and accounts receivable collection and possible longer collection periods; • increased expenses incurred in establishing and maintaining office space and equipment for our international operations; • greater difficulty in recruiting local experienced personnel, and the costs and expenses associated with such activities; • general economic and political conditions in these foreign markets; • economic uncertainty around the world, including continued economic uncertainty as a result of ~~the COVID- 19 pandemic,~~ sovereign debt issues in Europe, the United Kingdom' s exit from the European Union (commonly referred to as " Brexit "), ~~and~~ the war between Russia and Ukraine, and tensions between China and Taiwan; • management communication and integration problems resulting from cultural and geographic dispersion; • risks associated with trade restrictions and foreign legal requirements, including the importation, certification, and localization of our products required in foreign countries; • greater risk of unexpected changes in regulatory practices, tariffs, and tax laws and treaties; • the uncertainty of protection for intellectual property rights in some countries; • greater risk of a failure of foreign employees to comply with both U. S. and foreign laws, including antitrust regulations, the U. S. Foreign Corrupt Practices Act (" FCPA "), and any trade regulations ensuring fair trade practices; and • heightened risk of unfair or corrupt business practices in certain geographies and of improper or fraudulent sales arrangements that may impact financial results and result in restatements of, or irregularities in, financial statements. Because of our worldwide operations, we are also subject to risks associated with compliance with applicable anticorruption laws. One such applicable anticorruption law is the FCPA, which generally prohibits U. S. companies and their employees and intermediaries from making payments to foreign officials for the purpose of obtaining or keeping business, securing an advantage, or directing business to another, and requires public companies to maintain accurate books and records and a system of internal accounting controls. Under the FCPA, U. S. companies may be held liable for actions taken by directors, officers, employees, agents, or other strategic or local partners or representatives. As such, if we or our intermediaries, such as channel partners and distributors, fail to comply with the requirements of the FCPA or similar legislation, governmental authorities in the United States and elsewhere could seek to impose civil and / or criminal fines and penalties which could have a material adverse effect on our business, operating results and financial condition ~~. Additionally, we currently face many risks associated with the COVID- 19 pandemic. Please refer to the discussion of these risks presented at the beginning of Item 1A. Risk Factors~~ . Our success depends on our key personnel and our ability to hire, retain and motivate qualified product development, sales, marketing and finance personnel. Our success depends to a significant degree upon the continued contributions of our key management, product development, sales, marketing and finance personnel, many of whom may be difficult to replace. The complexity of our products, their integration into existing networks and ongoing support of our products requires us to retain highly trained technical services, customer support and sales personnel with specific expertise related to our business. Competition for qualified technical services, customer support, engineering and sales personnel in our industry is intense, because of the limited number of people available with the necessary technical skills and understanding of our products. Our ability to recruit and hire these personnel is harmed by tightening labor markets, particularly in the engineering field, in several of our key geographic hiring areas. We may not be successful in attracting, integrating, or retaining qualified personnel to fulfill our current or future needs, nor may we be successful in keeping the qualified personnel we currently have. Our ability to hire and retain these personnel may be adversely affected by volatility or reductions in the price of our common stock, since these employees are generally granted equity- based awards. Our future performance also depends on the continued services and continuing contributions of certain employees and members of senior management to execute on our business plan and to identify and pursue new opportunities and product innovations. Our senior management team, significant employees with technical expertise, and product and sales managers, among others, are critical to the development of our technology and the future vision and strategic direction of our company. The loss of their services could significantly delay or prevent the achievement of our development and strategic objectives, which could adversely affect our business, financial condition, and operating results. There can be no assurance that our exploration of strategic alternatives will result in any transaction being consummated, and speculation and uncertainty regarding the outcome of our exploration of strategic alternatives may adversely impact our business. On July 30, 2019, we announced that our Board of Directors had formed a Strategy Committee tasked and empowered with overseeing and executing specific activities directed to increasing shareholder value. No assurance can be given that a strategic transaction will be consummated in the near term or at all. In addition, speculation and uncertainty regarding our exploration of strategic alternatives may cause or result in: • disruption of our business; • distraction of our management and employees; • difficulty in recruiting, hiring, motivating, and retaining talented and skilled personnel; • difficulty in maintaining or negotiating and consummating new, business or strategic relationships or transactions; • increased stock price volatility; and • increased costs and advisory fees. If we are unable to mitigate these or other potential risks related to the uncertainty caused by our exploration of strategic alternatives, it may disrupt our business or adversely impact our revenue, operating results, and financial condition. Adverse general economic conditions or reduced information technology spending may adversely impact our business. A substantial portion of our business depends on the demand for information technology by large enterprises and service providers, the overall economic health of our current and prospective end- customers and the continued growth and evolution of the Internet. The timing of the purchase of our products is often discretionary and may involve a significant commitment of capital and other resources. Volatility in the global economic market or other effects of global or regional economic weakness, including ~~the impacts of COVID- 19,~~ limited availability of credit, a reduction in business confidence and activity, deficit- driven austerity measures that continue to affect governments and educational institutions, and other difficulties may affect one or more of the industries to which we sell our products and services. If economic conditions in the United States, Europe and other key markets for our products continue to be volatile in response to ~~COVID- 19,~~ geopolitical developments, macroeconomic trends, or otherwise, and do not improve, or those markets experience a prolonged downturn, many end- customers may delay or reduce their IT spending. **From time to time** ~~This~~ **this causes** ~~could result in~~ reductions in sales of our products and services, longer sales cycles, slower adoption of new technologies and increased price competition. Any of these events would likely harm our business, operating results and financial condition. In addition, there can be no assurance that IT spending levels will increase following any recovery. We are dependent on third- party manufacturers, and changes to those relationships, expected or unexpected, may result in delays or disruptions that could harm our business. We outsource the manufacturing of our hardware components to third- party original design manufacturers who assemble these hardware components to our specifications. Our primary manufacturers are Lanner and AEWIN, each of which is located in Taiwan. Deterioration of relations between Taiwan and China, the resulting actions taken by either country, and other factors affecting the political or economic conditions of Taiwan in the future, could cause disruption to the manufacturing of our hardware components, which could materially adversely affect our business, financial condition and results of operations and the market price and the liquidity of our shares. Our reliance on these third- party manufacturers reduces our control over the manufacturing process and exposes us to risks, including reduced control over quality assurance, product costs, and product supply and timing. Any manufacturing disruption at these manufacturers, including but not limited to disruptions due to ~~COVID- 19 or~~ tensions with China, could severely impair our ability to fulfill orders. In addition, the ongoing global supply chain issues are expected to continue and may adversely impact our suppliers to a degree that could materially impact us. Our reliance on outsourced manufacturers also may create the potential for infringement or misappropriation of our intellectual property rights or confidential information. If we are unable to manage our relationships with these manufacturers effectively, or if these manufacturers suffer delays or disruptions for any reason, experience increased manufacturing lead- times, experience capacity constraints or quality control problems in their manufacturing operations, or fail to meet our future requirements for timely delivery, our ability to ship products to our end- customers would be severely impaired, and our business and operating results would be seriously harmed. These manufacturers typically fulfill our supply requirements on the basis of individual orders. We do not have long- term contracts with our manufacturers that guarantee capacity, the continuation of particular pricing terms, or the extension of credit limits. Accordingly, they are not obligated to continue to fulfill our supply requirements, which could result in supply shortages, and the prices we are charged for manufacturing services could be increased on short notice. In addition, our orders may represent a relatively small percentage of the overall orders received by our manufacturers from their customers. As a result, fulfilling our orders may not be considered a priority by one or more of our manufacturers in the event the manufacturer is constrained in its ability to fulfill all of its customer obligations in a timely manner. Although the services required to manufacture our hardware components may be readily available from a number of established manufacturers, it is time- consuming and costly to qualify and implement such relationships. If we are required to change manufacturers, whether due to an interruption in one of our manufacturers’ businesses, quality control problems or otherwise, or if we are required to engage additional manufacturers, our ability to meet our scheduled product deliveries to our customers could be adversely affected, which could cause the loss of sales to existing or potential customers, delayed revenue or an increase in our costs that could adversely affect our gross margin. Because some of the key components in our products come from limited sources of supply, we are susceptible to supply shortages or supply changes, which could disrupt or delay our scheduled product deliveries to our end- customers and may result in the loss of sales and end- customers. Our products incorporate key components, including certain integrated circuits that we and our third- party manufacturers purchase on our behalf from a limited number of suppliers, including some sole- source providers. In addition, the lead times associated with these and other components of our products can be lengthy and preclude rapid changes in quantities and delivery schedules. Moreover, long- term supply and maintenance obligations to our end- customers increase the duration for which specific components are required, which may further increase the risk we may incur component shortages or the cost of carrying inventory. If we are unable to obtain a sufficient quantity of these components in a timely manner for any reason, sales and / or shipments of our products could be delayed or halted, which would seriously affect present and future sales and cause damage to end- customer relationships, which would, in turn, adversely affect our business, financial condition and results of operations. **Our** ~~In response to COVID- 19, some of the countries in which these components are manufactured have implemented mandatory shutdowns that may ultimately limit our ability to obtain a sufficient quantity of these components in a timely manner. In addition, our~~ component suppliers change their selling prices frequently in response to market trends, including industry- wide increases in demand, and because we do not necessarily have contracts with these suppliers, we are susceptible to price fluctuations related to raw materials and components. If we are unable to pass component price increases along to our end- customers or maintain stable pricing, our gross margin and operating results could be negatively impacted. Furthermore, poor quality in sole- sourced components or certain other components in our products could also result in lost sales or lost sales opportunities. If the quality of such components does not meet our standards or our end- customers' requirements, if we are unable to obtain components from our existing suppliers on commercially reasonable terms, or if any of our sole source providers cease to continue to manufacture such components or to remain in business, we could be forced to redesign our products and qualify new components from alternate suppliers. The development of alternate sources for those components can be time- consuming, difficult and costly, and we may not be able to develop alternate or second sources in a timely manner. Even if we are able to locate alternate sources of supply, we could be forced to pay for expedited shipments of such components or our products at dramatically increased costs. Real or perceived defects, errors, or vulnerabilities in our products or services or the failure of our products or services to block a threat or prevent a security breach could harm our reputation and adversely impact our results of operations. Because our products and services are complex, they have contained and may contain design or manufacturing defects or errors that are not detected until after their commercial release and deployment by our customers. Even if we discover those weaknesses, we may not be able to correct them promptly, if at all. Defects may cause our products to be vulnerable to security attacks, cause them to fail to help secure networks, or temporarily interrupt end- customers' networking traffic. Furthermore, our products may fail to detect or prevent malware, viruses, worms or similar threats for any number of reasons, including our failure to enhance and expand our platform to reflect industry trends, new technologies and new operating environments, the complexity of the environment of our end- customers and the sophistication of malware, viruses and other threats. Data thieves and hackers are increasingly sophisticated, often affiliated with organized crime or state- sponsored groups, and may operate large- scale and complex automated attacks. The techniques used to obtain unauthorized access or to sabotage networks change frequently and may not be recognized until launched against a target. Additionally, as a well- known provider of enterprise security solutions, our networks, products, and services could be targeted by attacks specifically designed to disrupt our business and harm our reputation. For example, in January 2023, we identified a cyber- security incident in our corporate IT infrastructure (not related to any of our products or solutions used by customers) (the " Cyber Incident "). Upon detecting the incident, we launched an investigation and engaged the services of cyber- security experts and advisors, incident response professionals and external counsel to support the investigation. While, to date, this incident has not had a material impact on our operations, it did result in additional expense incurred in connection with the investigation. As our products are adopted by an increasing number of enterprises and governments, it is possible that the individuals and organizations behind advanced attacks will focus on finding ways to defeat our products. In addition, defects or errors in our updates to our products could result in a failure of our services to effectively update end- customers' products and thereby leave our end- customers vulnerable to attacks. Our data centers and networks may experience technical failures and downtime, may fail to distribute appropriate updates, or may fail to meet the increased requirements of a growing installed end- customer base, any of which could temporarily or permanently expose our end- customers' networks, leaving their networks unprotected against security threats. Our end- customers may also misuse or wrongly configure our products or otherwise fall prey to attacks that our products cannot protect against, which may result in loss or a breach of business data, data being inaccessible due to a " ransomware " attack, or other security incidents. For all of these reasons, we may be unable to anticipate all data security threats or provide a solution in time to protect our end- customers' networks. If we fail to identify and respond to new and increasingly complex methods of attack and to update our products to detect or prevent such threats in time to protect our end- customers' critical business data, our business, operating results and reputation could suffer. If any companies or governments that are publicly known to use our platform are the subject of a cyber- attack that becomes publicized, our other current or potential channel partners or end- customers may look to our competitors for alternatives to our products. Real or perceived security breaches of our end- customers' networks could cause disruption or damage to their networks or other negative consequences and could result in negative publicity to us, damage to our reputation, declining sales, increased expenses and end- customer relations issues. To the extent potential end- customers or industry analysts believe that the occurrence of any actual or perceived failure of our products to detect or prevent malware, viruses, worms or similar threats is a flaw or indicates that our products do not provide significant value, our reputation and business could be harmed. Any real or perceived defects, errors, or vulnerabilities in our products, or any failure of our products to detect a threat, could result in: • a loss of existing or potential end- customers or ~~channel~~ **channels** ~~partners~~ ; • delayed or lost revenue; • a delay in attaining, or the failure to attain, market acceptance; • the expenditure of significant financial and product development resources in efforts to analyze, correct, eliminate, or work around errors or defects, to address and eliminate vulnerabilities, to remediate harms potentially caused by those vulnerabilities, or to identify and ramp up production with third- party providers; • an increase in warranty claims, or an increase in the cost of servicing warranty claims, either of which would adversely affect our gross margins; • harm to our reputation or brand; and • litigation, regulatory inquiries, or investigations that may be costly and further harm our reputation. Although we maintain cybersecurity liability coverage that may cover certain liabilities in connection with a security breach such as the Cyber Incident, we cannot be certain that our insurance coverage will be adequate for liabilities actually incurred, that insurance will continue to be available to use on commercially reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co- insurance requirements, could have a material adverse effect on our business, including our financial condition, results of operation and reputation. Our business is subject to the risks of warranty claims, product returns, product liability, and product defects. Real or perceived errors, failures or bugs in our products could result in claims by end- customers for losses that they sustain. If end- customers make these types of claims, we may be required, or may choose, for customer relations or other reasons, to expend additional resources in order to help correct the problem. Historically, the amount of warranty claims has not been significant, but there are no assurances that the amount of such claims will not be material in the future. Liability provisions in our standard terms and conditions of sale, and those of our resellers and distributors, may not be enforceable under some circumstances or may not fully or effectively protect us from customer claims and related liabilities and costs, including indemnification obligations under our agreements with resellers, distributors or end- customers. The sale and support of our products also entail the risk of product liability claims. We maintain insurance to protect against certain types of claims associated with the use of our products, but our insurance coverage may not adequately cover any such claims. In addition, even claims that ultimately are unsuccessful could result in expenditures of funds in connection with litigation and divert management' s time and other resources. Undetected software or hardware errors may harm our business and results of operations. Our products may contain undetected errors or defects when first introduced or as new versions are released. We have experienced these errors or defects in the past in connection with new products and product upgrades. We expect that these errors or defects will be found from time to time in new or enhanced products after commencement of commercial distribution. These problems have in the past and may in the future cause us to incur significant warranty and repair costs, divert the attention of our engineering personnel from our product development efforts and cause significant customer relations problems. We may also be subject to liability claims for damages related to product errors or defects. While we carry insurance policies covering this type of liability, these policies may not provide sufficient protection should a claim be asserted. A material product liability claim may harm our business and results of operations. Any errors, defects or vulnerabilities in our products could result in: • expenditures of significant financial and product development resources in efforts to analyze, correct, eliminate or work around errors and defects or to address and eliminate vulnerabilities; • loss of existing or potential end- customers or distribution ~~channel~~ **channels** ~~partners~~; • delay or failure to attain market acceptance; • indemnification obligations under our agreements with resellers, distributors and / or end- customers; • an increase in warranty claims compared with our historical experience or an increased cost of servicing warranty claims, either of which would adversely affect our gross margin; and • litigation, regulatory inquiries, or investigations that may be costly and harm our reputation. Our use of open source software **and generative artificial intelligence (AI)** in our products could negatively affect our ability to sell our products and subject us to possible litigation. We incorporate open source software such as the Linux operating system kernel into our products. We have implemented a formal open source use policy, including written guidelines for use of open source software and business processes for approval of that use. We have developed and implemented our open source policies according to industry practice; however, best practices in this area are subject to change, because there is little reported case law on the interpretation of material terms of many open source licenses. We are in the process of reviewing our open source use and our compliance with open source licenses and implementing remediation and changes necessary to comply with the open source licenses related thereto. **While we do not currently utilize software generated by artificial intelligence tools in our products we may at some point choose to do so, and, if we do, we will likely treat AI generated code as a form of open source software.** We cannot guarantee that our use of open source software has been, and will be, managed effectively for our intended business purposes and / or compliant with applicable open source licenses. We may face legal action by third parties seeking to enforce their intellectual property rights related to our use of such open source software. Failure to adequately manage open source license compliance and our use of open source **or AI generated** software may result in unanticipated obligations regarding our products and services, such as a requirement that we license proprietary portions of our products or services on unfavorable terms, that we make available source code for modifications or derivative works we created based upon, incorporating or using open source software, that we license such modifications or derivative works under the terms of the particular open source license and / or that we redesign the affected products or services, which could result, for example, in a loss of intellectual property rights, or delay in providing our products and services. From time to time, there have been claims against companies that distribute or use third- party open source **or other** software in their products and services, asserting that the open source **or AI generated** software or its combination with the products or services infringes third parties' patents or copyrights, or that the companies' distribution or use of the open source software does not comply with the terms of the applicable ~~open source~~ licenses. Use of certain open source **or AI generated** software can lead to greater risks than use of warranted third- party commercial software, as open source licensors **and AI generated software** generally do not provide warranties or controls on the origin of such ~~open source~~ software. From time to time, there have been claims against companies that use open source **or AI generated** software in their products, challenging the ownership of rights in such open source **or AI generated** software. As a result, we could also be subject to suits by parties claiming ownership of rights in **such** ~~what we believe to be open source~~ software and so challenging our right to use such software in our products. If any such claims were asserted against us, we could be required to incur significant legal expenses defending against such a claim. Further, if our defenses to such a claim were not successful, we could be, for example, subject to significant damages, be required to seek licenses from third parties in order to continue offering our products and services without infringing such third party' s intellectual property rights, be required to re- engineer such products and services, or be required to discontinue making available such products and services if re- engineering cannot be accomplished on a timely or successful basis. The need to engage in these or other remedies could increase our costs or otherwise adversely affect our business, operating results and financial condition. Our products must interoperate with operating systems, software applications and hardware that are developed by others and if we are unable to devote the necessary resources to ensure that our products interoperate with such software and hardware, we may fail to increase, or we may lose market share and we may experience a weakening demand for our products. Our products must interoperate with our end- customers' existing infrastructure, specifically their networks, servers, software and operating systems, which may be manufactured by a wide variety of vendors and original equipment manufacturers. As a result, when problems occur in a network, it may be difficult to identify the source of the problem. The occurrence of software or hardware problems, whether caused by our products or another vendor' s products, may result in the delay or loss of market acceptance of our products. In addition, when new or updated versions of our end- customers' software operating systems or applications are introduced, we must sometimes develop updated versions of our software so that our products will interoperate properly. We may not accomplish these development efforts quickly, cost-effectively or at all. These development efforts require capital investment and the devotion of engineering resources. If we fail to maintain compatibility with these applications, our end- customers may not be able to adequately utilize our products, and we may, among other consequences, fail to increase, or we may lose market share and experience a weakening in demand for our products, which would adversely affect our business, operating results and financial condition. We license technology from third parties, and our inability to maintain those licenses could harm our business. Many of our products include proprietary technologies licensed from third parties. In the future, it may be necessary to renew licenses for third party technology or obtain new licenses for other technology. These third- party licenses may not be available to us on acceptable terms, if at all. As a result, we could also face delays or be unable to make changes to our products until equivalent technology can be identified, licensed or developed and integrated with our products. Such delays or an inability to make changes to our products, if it were to occur, could adversely affect our business, operating results and financial condition. The inability to obtain certain licenses to third- party technology, or litigation regarding the interpretation or enforcement of license agreements and related intellectual property issues, could have a material adverse effect on our business, operating results and financial condition. Failure to prevent excess inventories or inventory shortages could result in decreased revenue and gross margin and harm our business. We purchase products from our manufacturers outside of, and in advance of, reseller or end- customer orders, which we hold in inventory and sell. We place orders with our manufacturers based on our forecasts of our end- customers' requirements and forecasts provided by our distribution channel partners. These forecasts are based on multiple assumptions, each of which might cause our estimates to be inaccurate, affecting our ability to provide products to our customers. There is a risk we may be unable to sell excess products ordered from our manufacturers. Inventory levels in excess of customer demand may result in obsolete inventory and inventory write- downs. The sale of excess inventory at discounted prices could impair our brand image and have an adverse effect on our financial condition and results of operations. Conversely, if we underestimate demand for our products, or if our manufacturers fail to supply products we require at the time we need them, we may experience inventory shortages. Inventory shortages might delay shipments to resellers, distribution channel partners and customers and cause us to lose sales. These shortages may diminish the loyalty of our distribution channel partners or customers. The difficulty in forecasting demand also makes it difficult to estimate our future financial condition and results of operations from period to period. A failure to accurately predict the level of demand for our products could adversely affect our total revenue and net income, and we are unlikely to forecast such effects with any certainty in advance. Our sales cycles can be long and unpredictable, primarily due to the complexity of our end- customers' networks and data centers and the length of their budget cycles. As a result, our sales and revenue are difficult to predict and may vary substantially from period to period, which may cause our operating results to fluctuate significantly. The timing of our sales is difficult to predict because of the length and unpredictability of our products' sales cycles. A sales cycle is the period between initial contact with a prospective end- customer and any sale of our products. Our sales cycle, in particular to our large end- customers, may be lengthy due to the complexity of their networks and data centers. Because of this complexity, prospective end- customers generally consider a number of factors over an extended period of time before committing to purchase our products. End- customers often view the purchase of our products as a significant and strategic decision that can have important implications on their existing networks and data centers and, as a result, require considerable time to evaluate, test and qualify our products prior to making a purchase decision and placing an order to ensure that our products will successfully interoperate with our end- customers' complex network and data centers. Additionally, the budgetary decisions at these entities can be lengthy and require multiple organization reviews. The length of time that end- customers devote to their evaluation of our products and decision- making process varies significantly. The length of our products' sales cycles typically ranges from three to 12 months but can be longer for our large end- customers. In addition, the length of our close or sales cycle can be affected by the extent to which customized features are requested, in particular in our large deals. For all of these reasons, it is difficult to predict whether a sale will be completed or the particular fiscal period in which a sale will be completed, both of which contribute to the uncertainty of our future operating results. If our close or sales cycles lengthen, our revenue could be lower than expected, which would have an adverse impact on our operating results and could cause our stock price to decline. Our ability to sell our products is highly dependent on the quality of our support and services offerings, and our failure to offer high- quality support could have a material adverse effect on our business, revenue and results of operations. We believe that our ability to provide consistent, high quality customer service and technical support is a key factor in attracting and retaining end- customers of all sizes and is critical to the deployment of our products. When support is purchased our end- customers depend on our support organization to provide a broad range of support services, including on- site technical support, 24- hour support and shipment of replacement parts on an expedited basis. If our support organization or our distribution channel partners do not assist our end- customers in deploying our products effectively, succeed in helping our end- customers resolve post- deployment issues quickly, or provide ongoing support, it could adversely affect our ability to sell our products to existing end- customers and could harm our reputation with potential end- customers. We currently have technical support centers in the United States, Japan, India and the Netherlands. As we continue to expand our operations internationally, our support organization will face additional challenges, including those associated with delivering support, training and documentation in languages other than English. We typically sell our products with maintenance and support as part of the initial purchase, and a substantial portion of our support revenue comes from renewals of maintenance and support contracts. Our end- customers have no obligation to renew their maintenance and support contracts after the expiration of the initial period. If we are unable to provide high quality support, our end- customers may elect not to renew their maintenance and support contracts or to reduce the product quantity under their maintenance and support contracts, thereby reducing our future revenue from maintenance and support contracts. Our failure or the failure of our distribution ~~channel~~ **channels** ~~partners~~ to maintain high- quality support and services could have a material and adverse effect on our business, revenue and operating results. We depend on growth in markets relating to network security, management and analysis, and lack of growth or contraction in one or more of these markets could have a material adverse effect on our results of operations and financial condition. Demand for our products is linked to, among other things, growth in the size and complexity of network infrastructures and the demand for networking technologies addressing the security, management and analysis of such infrastructures. These markets are dynamic and evolving. Our future financial performance will depend in large part on continued growth in the number of organizations investing in their network infrastructure and the amount they commit to such investments. If this demand declines, our results of operations and financial condition would be materially and adversely affected. Segments of the network infrastructure industry have in the past experienced significant economic downturns. Furthermore, the market for network infrastructure may not continue to grow at historic rates, or at all. The occurrence of any of these factors in the markets relating to network security, management and analysis could materially and adversely affect our results of operations and financial condition. Because we recognize subscription revenue from our customers over the term of their agreements, downturns or upturns in sales of our subscription- based offerings will not be immediately reflected in our operating results and may adversely affect our revenue in the future. We recognize subscription revenue over the term of our customer agreements. As a result, most of our subscription revenue arises from agreements entered into during previous periods. A shortfall in orders for our subscription- based solutions in any one period would most likely not significantly reduce our subscription revenue for that period, but could adversely affect the revenue contribution in future periods. In addition, we may be unable to quickly reduce our cost structure in response to a decrease in these orders. Accordingly, the effect of downturns in sales of our subscription- based solutions will not be fully reflected in our operating results until future periods. A subscription revenue model also makes it difficult for us to rapidly increase our revenue through additional subscription sales in any one period, as revenue is generally recognized over a longer period. Our business and operations have experienced growth in certain prior periods and may experience rapid growth at certain times in the future, and if we do not effectively manage any future growth or are unable to sustain and improve our controls, systems and processes, our operating results will be adversely affected. In certain prior periods, we have significantly increased the number of our employees and independent contractors. As we hire new employees and independent contractors and expand into new locations outside the United States, we are required to comply with varying local laws for each of these new locations. We anticipate that further expansion of our infrastructure and headcount will be required. Our growth has placed, and will continue to place, a significant strain on our administrative and operational infrastructure and financial resources. Our ability to manage our operations and growth across multiple countries will require us to continue to refine our operational, financial and management controls, human resource policies, and reporting systems and processes. We need to continue to improve our internal systems, processes, and controls to effectively manage our operations and growth. We may not be able to successfully implement improvements to these systems, processes and controls in an efficient or timely manner. In addition, our systems and processes may not prevent or detect all errors, omissions or fraud. We may experience difficulties in managing improvements to our systems, processes, and controls or in connection with third- party software, which could impair our ability to provide products or services to our customers in a timely manner, causing us to lose customers, limit us to smaller deployments of our products, increase our technical support costs, or damage our reputation and brand. Furthermore, given our growth and size, our management team may lack oversight on certain side agreements between sales personnel and customers. Our failure to improve our systems and processes, or their failure to operate in the intended manner, may result in our inability to manage the growth of our business and to accurately forecast our revenue, expenses, and earnings, or to prevent certain losses, any of which may harm our business and results of operations. We may not be able to sustain or develop new distributor and reseller relationships, and a reduction or delay in sales to significant distribution channel partners could hurt our business. We sell our products and services through multiple distribution channels in the United States and internationally. We may not be able to increase our number of distributor or reseller relationships or maintain our existing relationships. Recruiting and retaining qualified distribution channel partners and training them on our technologies requires significant time and resources. These distribution channel partners may also market, sell and support products and services that are competitive with ours and may devote more resources to the marketing, sales and support of such competitive products. Our sales channel structure could subject us to lawsuits, potential liability and reputational harm if, for example, any of our distribution channel partners misrepresent the functionality of our products or services to end- customers or violate laws or our corporate policies. If we are unable to establish or maintain our sales channels or if our distribution channel partners are unable to adapt to our future sales focus and needs, our business and results of operations will be harmed. Our products must conform to industry standards in order to be accepted by end- customers in our markets. Generally, our products comprise only a part of a data center. The servers, network, software and other components and systems of a data center must comply with established industry standards in order to interoperate and function efficiently together. We depend on companies that provide other components of the servers and systems in a data center to support prevailing industry standards. Often, these companies are significantly larger and more influential in driving industry standards than we are. Some industry standards may not be widely adopted or implemented uniformly, and competing standards may emerge that may be preferred by our end- customers. If larger companies do not support the same industry standards that we do, or if competing standards emerge, market acceptance of our products could be adversely affected and we may need to incur substantial costs to conform our products to such standards, which could harm our business, operating results and financial condition. We are dependent on various information technology systems, and failures of or interruptions to those systems could harm our business. Many of our business processes depend upon our information technology systems, the systems and processes of third parties, and on interfaces with the systems of third parties. If those systems fail or are interrupted, or if our ability to connect to or interact with one or more networks is interrupted, our processes may function at a diminished level or not at all. This could harm our ability to ship or support our products, and our financial results may be harmed. In addition, reconfiguring or upgrading our information technology systems or other business processes in response to changing business needs may be time- consuming and costly and is subject to risks of delay or failed deployment. To the extent this impacts our ability to react timely to specific market or business opportunities, our financial results may be harmed. Future acquisitions we may undertake may not result in the financial and strategic goals that are contemplated at the time of the transaction. We may make future acquisitions of complementary companies, products or technologies. With respect to any acquisitions we may undertake, we may find that the acquired businesses, products or technologies do not further our business strategy as expected, that we paid more than what the assets are later worth or that economic conditions change, all of which may generate future impairment charges. Acquisitions may be viewed negatively by customers, financial markets or investors. There may be difficulty integrating the operations and personnel of an acquired business, and we may have difficulty retaining the key personnel of an acquired business. We may also have difficulty in integrating acquired technologies or products with our existing product lines. Any integration process may require significant time and resources, and we may not be able to manage the process successfully. Our ongoing business and management' s attention may be disrupted or diverted by transition or integration issues and the complexity of managing geographically and culturally diverse locations. We may have difficulty maintaining uniform standards, controls, procedures and policies across locations. We may experience significant problems or liabilities associated with product quality, technology and other matters. Our inability to successfully operate and integrate future acquisitions appropriately, effectively and in a timely manner, or to retain key personnel of any acquired business, could have a material adverse effect on our revenue, gross margin and expenses. We are exposed to the credit risk of our distribution ~~channel~~ **channels** ~~partners~~ and end- customers, which could result in material losses and negatively impact our operating results. Most of our sales are on an open credit basis, with typical payment terms ranging from 30 to 90 days depending on local customs or conditions that exist in the sale location. If any of the distribution channel partners or end- customers responsible for a significant portion of our revenue becomes insolvent or suffers a deterioration in its financial or business condition and is unable to pay for our products, our results of operations could be harmed. The sales price of our products and subscriptions may decrease, which may reduce our gross profits and adversely impact our financial results. The sales prices for our products and subscriptions may decline for a variety of reasons, including competitive pricing pressures, discounts, a change in our mix of products and subscriptions, anticipation of the introduction of new products or subscriptions, or promotional programs. Competition continues to increase in the market segments in which we participate, and we expect competition to further increase in the future, thereby leading to increased pricing pressures. Larger competitors with more diverse product and service offerings may reduce the price of products or subscriptions that compete with ours or may bundle them with other products and subscriptions. Additionally, although we price our products and subscriptions worldwide in U. S. Dollars (except in Japan), currency fluctuations in certain countries and regions may negatively impact actual prices that channel partners and end- customers are willing to pay in those countries and regions. Furthermore, we anticipate that the sales prices and gross profits for our products will decrease over product life cycles. We cannot guarantee that we will be successful in developing and introducing new offerings with enhanced functionality on a timely basis, or that our product and subscription offerings, if introduced, will enable us to maintain our prices and gross profits at levels that will allow us to achieve and maintain profitability. Our business is subject to the risks of earthquakes, fire, power outages, floods, and other catastrophic events, and to interruption by man- made problems such as acts of war and terrorism. A significant natural disaster, such as an earthquake, fire, a flood, or significant power outage could have a material adverse impact on our business, operating results, and financial condition. Our corporate headquarters are located in the San Francisco Bay Area, a region known for seismic activity. In addition, our two primary manufacturers are located in Taiwan, which is near major earthquake fault lines and subject to typhoons during certain times of the year. In the event of a major earthquake or typhoon, or other natural or man- made disaster, our manufacturers in Taiwan may face business interruptions, which may impact quality assurance, product costs, and product supply and timing. In the event our or our service providers' information technology systems or manufacturing or logistics abilities are hindered by any of the events discussed above, shipments could be delayed, resulting in missed financial targets, such as revenue and shipment targets, and our operations could be disrupted, for the affected quarter or quarters. In addition, large- scale cybersecurity attacks, acts of war or terrorism, **global pandemics such as the COVID- 19 pandemic** or other geo- political unrest could cause disruptions in our business or the business of our supply chain, manufacturers, logistics providers, ~~partners~~ **channels** , or end- customers or the economy as a whole. Any disruption in the business of our supply chain, manufacturers, logistics providers, ~~partners~~ **channels** or end- customers that impacts sales at the end of a quarter could have a significant adverse impact on our quarterly results. All of the aforementioned risks may be further increased if the disaster recovery plans for us and our suppliers prove to be inadequate. To the extent that any of the above should result in delays or cancellations of customer orders, or the delay in the manufacture, deployment or shipment of our products, our business, financial condition and operating results would be adversely affected. Risks Related to Intellectual Property, Litigation, Laws and Regulations We have been, may presently be, or in the future may be, a party to litigation and claims regarding intellectual property rights, resolution of which has been and may in the future be time- consuming, expensive and adverse to us, as well as require a significant amount of resources to prosecute, defend, or make our products non-infringing. Our industry is characterized by the existence of a large number of patents and by increasingly frequent claims and related litigation based on allegations of infringement or other violations of patent and other intellectual property rights. In the ordinary course of our business, we have been and may presently be in disputes and licensing discussions with others regarding their patents and other claimed intellectual property and proprietary rights. Intellectual property infringement and misappropriation lawsuits and other claims are subject to inherent uncertainties due to the complexity of the technical and legal issues involved, and we cannot be certain that we will be successful in defending ourselves against such claims or in concluding licenses on reasonable terms or at all. We may have fewer issued patents than some of our major competitors, and therefore may not be able to utilize our patent portfolio effectively to assert defenses or counterclaims in response to patent infringement claims or litigation brought against us by third parties. Further, litigation may involve patent holding companies or other adverse patent owners that have no relevant products revenue and against which our potential patents may provide little or no deterrence. In addition, many potential litigants have the capability to dedicate substantially greater resources than we can to enforce their intellectual property rights and to defend claims that may be brought against them. We expect that infringement claims may increase as the number of product types and the number of competitors in our market increases. Also, to the extent we gain greater visibility, market exposure and competitive success, we face a higher risk of being the subject of intellectual property infringement claims. If we are found in the future to infringe the proprietary rights of others, or if we otherwise settle such claims, we could be compelled to pay damages or royalties and either obtain a license to those intellectual property rights or alter our products such that they no longer infringe. Any license could be very expensive to obtain or may not be available at all. Similarly, changing our products or processes to avoid infringing the rights of others may be costly, time- consuming or impractical. Alternatively, we could also become subject to an injunction or other court order that could prevent us from offering our products. Any of these claims, regardless of their merit, may be time- consuming, result in costly litigation and diversion of technical and management personnel, or require us to cease using infringing technology, develop non- infringing technology or enter into royalty or licensing agreements. Many of our commercial agreements require us to indemnify our end- customers, distributors and resellers for certain third- party intellectual property infringement actions related to our technology, which may require us to defend or otherwise become involved in such infringement claims, and we could incur liabilities in excess of the amounts we have received for the relevant products and / or services from our end- customers, distributors or resellers. These types of claims could harm our relationships with our end- customers, distributors and resellers, may deter future end- customers from purchasing our products or could expose us to litigation for these claims. Even if we are not a party to any litigation between an end- customer, distributor or reseller, on the one hand, and a third party, on the other hand, an adverse outcome in any such litigation could make it more difficult for us to defend our intellectual property rights in any subsequent litigation in which we are a named party. We may not be able to adequately protect our intellectual property, and if we are unable to do so, our competitive position could be harmed, or we could be required to incur significant expenses to enforce our rights. We rely on a combination of patent, copyright, trademark and trade secret laws, and contractual restrictions on disclosure of confidential and proprietary information, to protect our intellectual property. Despite the efforts we take to protect our intellectual property and other proprietary rights, these efforts may not be sufficient or effective at preventing their unauthorized use. In addition, effective trademark, patent, copyright and trade secret protection may not be available or cost- effective in every country in which we have rights. There may be instances where we are not able to protect intellectual property or other proprietary rights in a manner that maximizes competitive advantage. If we are unable to protect our intellectual property and other proprietary rights from unauthorized use, the value of those assets may be reduced, which could negatively impact our business. We also rely in part on confidentiality and / or assignment agreements with our technology partners, employees, consultants, advisors and others. These protections and agreements may not effectively prevent disclosure of our confidential information and may not provide an adequate remedy in the event of unauthorized disclosure. In addition, others may independently discover our trade secrets and intellectual property information we thought to be proprietary, and in these cases we would not be able to assert any trade secret rights against those parties. Despite our efforts to protect our intellectual property, unauthorized parties may attempt to copy or otherwise obtain and use our intellectual property or technology. Monitoring unauthorized use of our intellectual property is difficult and expensive. We have not made such monitoring a priority to date and will not likely make this a priority in the future. We cannot be certain that the steps we have taken or will take will prevent misappropriation of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States. If we fail to protect our intellectual property adequately, our competitors might gain access to our technology, and our business might be harmed. In addition, even if we protect our intellectual property, we may need to license it to competitors, which could also be harmful. For example, as a result of the settlement of an intellectual property matter, we have already licensed all of our issued patents, pending applications, and future patents and patent applications that we may acquire, obtain, apply for or have a right to license to Broadcom, Inc. until May 2025, for the life of each such patent. In addition, we might incur significant expenses in defending our intellectual property rights. Any of our patents, copyrights, trademarks or other intellectual property rights could be challenged by others or invalidated through administrative process or litigation. We may in the future initiate claims or litigation against third parties for infringement of our proprietary rights or to establish the validity of our proprietary rights. Any litigation, whether or not resolved in our favor, could result in significant expense to us and divert the efforts of our management and technical personnel, as well as cause other claims to be made against us, which might adversely affect our business, operating results and financial condition. Exposure to UK and other political developments, including the effects of Brexit, could have a material adverse effect on us. On January 31, 2020, the United Kingdom (" UK ") withdrew from the European Union (" EU "), which began a transition period until the end of 2020 during which the UK and the EU negotiated additional arrangements. For instance, the EU- UK Trade and Cooperation Agreement went into effect on January 1, 2021, which retains the tariff- free and quota- free status on trade between the EU and UK. Brexit creates an uncertain political and economic environment in the UK and potentially across other EU member states for the foreseeable future and such uncertainties could impair or limit our ability to transact business in the member EU states. The political and economic uncertainty created by Brexit has caused and may continue to cause significant volatility in global financial markets and in the value of the Pound Sterling currency or other currencies, including the Euro. Depending on the extent of the effects of Brexit, it is possible that there may be adverse practical and / or operational implications on our business. Consequently, no assurance can be given as to the overall impact of Brexit and, in particular, no assurance can be given that our operating results, financial condition and prospects would not be adversely impacted by the result. Enhanced United States tariffs, import / export restrictions, Chinese regulations or other trade barriers may have a negative effect on global economic conditions, financial markets and our business. There is currently significant uncertainty about the future relationship between the United States and various other countries, most significantly China, with respect to trade policies, treaties, tariffs and taxes. Some within the U. S. government have called for substantial changes to U. S. foreign trade policy with respect to China and other countries, including the possibility of imposing greater restrictions on international trade and significant increases in tariffs on goods imported into the United States. In 2018, the Office of the U. S. Trade Representative (the " USTR ") enacted tariffs on imports into the U. S. from China, including communications equipment products and components manufactured and imported from China. In October 2021 the USTR confirmed these enacted U. S. tariffs will stay in place for the time being **. In May 2022, the USTR initiated a statutory four- year review of the section 301 duties to determine the continued need for the tariffs on numerous products from China, including communications equipment products and components. The USTR is currently evaluating comments submitted as part of the four- year review process and a decision on the tariffs is likely to be made later this year** . An increase in tariffs will cause our costs to increase, which could narrow the profits we earn from sales of products requiring such materials. Furthermore, if tariffs, trade restrictions, or trade barriers are placed on products such as ours by foreign governments, especially China, the prices for our products may increase, which may result in the loss of customers and harm to our business, financial condition and results of operations. There can be no assurance that we will not experience a disruption in business related to these or other changes in trade practices and the process of changing suppliers in order to mitigate any such tariff costs could be complicated, time consuming and costly. Furthermore, the U. S. tariffs may cause customers to delay orders as they evaluate where to take delivery of our products in connection with their efforts to mitigate their own tariff exposure. Such delays create forecasting difficulties for us and increase the risk that orders might be canceled or might never be placed. Current or future tariffs imposed by the U. S. may also negatively impact our customers' sales, thereby causing an indirect negative impact on our own sales. Any reduction in customers' sales, and / or any apprehension among distributors and customers of a possible reduction in such sales, would likely cause an indirect negative impact on our own sales. Additionally, the current uncertainty about the future relationship between the United States and **China, as well as** other countries **,** with respect to the trade policies, treaties, taxes, government regulations and tariffs makes it difficult to plan for the future. New developments in these areas, or the perception that any of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global trade and, in particular, trade between these nations and the United States. Any of these factors could depress economic activity and restrict our access to suppliers or customers and have a material adverse effect on our business, financial condition and results of operations and affect our strategy in China and elsewhere around the world. Given the uncertainty of further developments related to tariffs, international trade agreements and policies we can give no assurance that our business, financial condition and operating results would not be adversely affected. Failure to protect and ensure the confidentiality and security of data, trade secrets and personally identifiable information (" PII ") could lead to legal liability, adversely affect our reputation and have a material adverse effect on our operating results, business and reputation. We may collect, store and use certain confidential information in the course of providing our services, and we have invested in preserving the security of this data. We may also outsource operations to third- party service providers to whom we transmit certain confidential data. While the Cyber Incident we experienced in January 2023 did not result in material degradation of our systems, it did expose a vulnerability in our security measures **which we have corrected** . There are no assurances that any security measures we have in place, or any additional security measures that our subcontractors may have in place, will be sufficient to protect this confidential information from unauthorized security breaches. **To date, the Cyber Incident has not had a material impact on the Company, although it did result in additional expense incurred in connection with the investigation.** We cannot assure you that, despite the implementation of these security measures, including enhanced security measures as a result of the Cyber Incident, we will not be subject to additional security incidents or other data breaches or that this data will not be compromised. We have and may be required to expend significant capital and other resources to protect against security **incidents** and remedy breaches or to alleviate problems caused by security breaches, or to pay penalties as a result of such breaches. Despite our implementation of security measures, techniques used to obtain unauthorized access or to sabotage systems change frequently and may not be recognized until launched against a target, as was the case in the Cyber Incident. As a result, we may be unable to anticipate these techniques or implement adequate preventative measures to protect this data. In addition, security breaches can also occur as a result of non- technical issues, including intentional or inadvertent breaches by our employees or service providers or by other persons or entities with whom we have commercial relationships. Any compromise or perceived compromise of our security could damage our reputation with our end- customers, and could subject us to significant liability, as well as regulatory action, including financial penalties, which ~~would~~ **could** ~~materially~~ **significantly** adversely affect our brand, results of operations, financial condition, business and prospects. We have incurred, and expect to continue to incur, significant costs to protect against or remedy security breaches. We may incur significant additional costs in the future to address problems caused by any actual or perceived security breaches. Breaches of our security measures or those of our third- party service providers, or other security incidents, has and could result in: unauthorized access to our sites, networks and systems; unauthorized access to, misuse or misappropriation of information, including personally identifiable information, or other confidential or proprietary information of ourselves or third parties; viruses, worms, spyware or other malware being served from our sites, networks or systems; deletion or modification of content or the display of unauthorized content on our sites; interruption, disruption or malfunction of operations; costs relating to notification of individuals, or other forms of breach remediation; deployment of additional personnel and protection technologies; response to governmental investigations and media inquiries and coverage;

engagement of third- party experts and consultants; litigation, regulatory investigations, prosecutions, and other actions; and other potential liabilities. In response to the January 2023 Cyber Incident, we launched an investigation and engaged the services of cyber- security experts and advisors, incident response professionals and external counsel to support the investigation. While ~~,~~ to date, this incident has not had a material impact on ~~our operations~~ **the Company** , it did result in additional expense incurred in connection with the investigation. Security incidents that occur or are believed to have occurred could damage our reputation and brand, could cause our business to suffer, could require us to expend significant capital and other resources to alleviate problems caused by such actual or perceived breaches, could expose us to a risk of loss, litigation or regulatory action and possible liability, and could impair our ability to operate our business, including our ability to provide maintenance and support services to our channel partners and end- customers. If current or prospective **resellers** ~~channel partners~~ and end- customers believe that our systems and solutions do not provide adequate security for their businesses' needs, our business and our financial results could be harmed. Additionally, future actual, potential or anticipated attacks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees and engage third- party experts and consultants. A significant number of our employees are currently working from home **or other remote locations** . There are additional risks and challenges associated with having a large portion of our workforce working remotely, and our IT systems may experience additional stress as a result. There is also increased risk of breaches to our network. While the Company has implemented a variety of security measures to address these heightened risks, including, but not limited to, advanced firewalls and firewall policy improvements, enhanced access controls, improved monitoring, network management and incident management and response process, and prioritization of our cybersecurity committee to continuously evaluate and strengthen our security posture, there can be no assurance that such measures will prevent breaches. Any such breaches could negatively impact our reputation and business as set forth above. Although we maintain privacy, data breach and network security liability insurance, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all. Any actual or perceived compromise or breach of our security measures, or those of our third- party service providers, or any unauthorized access to, misuse or misappropriation of personally identifiable information, channel partners' or end- customers information, or other information, could violate applicable laws and regulations, contractual obligations or other legal obligations and cause significant legal and financial exposure, adverse publicity and a loss of confidence in our security measures, any of which could have an material adverse effect on our business, financial condition and operating results. Our failure to adequately protect personal data could have a material adverse effect on our business. A wide variety of provincial, state, national, foreign, and international laws and regulations apply to the collection, use, retention, protection, disclosure, transfer, and other processing of personal data. These data protection and privacy- related laws and regulations are evolving and being tested in courts and may result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions. For example, the European Union' s General Data Protection Regulation, or GDPR, which took effect in May 2018, has caused EU data protection requirements to be more stringent and provide for greater penalties. Because the GDPR may be subject to new or changing interpretations by courts, our interpretation of the law and efforts to comply with the rules and regulations of the law may be ruled invalid. Noncompliance with the GDPR can trigger fines of up to € 20 million or 4 % of global annual revenues, whichever is higher. The United Kingdom also recently enacted legislation that substantially implements the GDPR. Similarly, California recently enacted the California Consumer Privacy Act as well as the California Privacy Rights Act (collectively referred to as " CCPA / CPRA "), which, among other things, requires covered companies to provide new disclosures to California consumers and affords such consumers new rights including not sharing personal information upon the consumer' s request and opt- out provisions for the sales of consumer' s personal information. Aspects of the ~~CCPACPRA~~ **CCPA / CPRA** and its interpretation remain unclear. In addition, other states have enacted or proposed legislation that regulates the collection, use, and sale of personal information, and such regimes might not be compatible with either the GDPR or the CCPA / CPRA or may require us to undertake additional practices. We cannot yet predict the impact of the CCPA / CPRA or impending legislation on our business or operations, but it may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply. Our failure to comply with applicable laws and regulations, or to protect such data, could result in enforcement action against us, including significant fines, imprisonment of company officials and public censure, claims for damages by end- customers and other affected persons and entities, damage to our reputation and loss of goodwill (both in relation to existing and prospective channel partners and end- customers), and other forms of injunctive or operations-limiting relief, any of which could have a material adverse effect on our operations, financial performance, and business. Evolving and changing definitions of personal data and personal information, within the European Union, the United States, and elsewhere, especially relating to classification of Internet Protocol (" IP ") addresses, machine identification, location data, biometric data and other information, may limit or inhibit our ability to operate or expand our business, including limiting strategic partnerships that may involve the sharing of data. We may be required to expend significant resources to modify our solutions and otherwise adapt to these changes, which we may be unable to do on commercially reasonable terms or at all, and our ability to develop new solutions and features could be limited. These developments could harm our business, financial condition and results of operations. Even if not subject to legal challenge, the perception of privacy concerns, whether or not valid, may harm our reputation and inhibit adoption of our products by current and prospective end- customers. Our sales to governmental organizations are subject to a number of challenges and risks. We sell to governmental organization end-customers. Sales to governmental organizations are subject to a number of challenges and risks. Selling to governmental organizations can be highly competitive, expensive and time consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. We have not yet received security clearance from the United States government, which prevents us from being able to sell directly for certain governmental uses. There can be no assurance that such clearance will be obtained, and failure to do so may adversely affect our operating results. Governmental organization demand and payment for our products may be impacted by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our products. Governmental organizations may have statutory, contractual or other legal rights to terminate contracts with our distributors and resellers for convenience or due to a default, and any such termination may adversely impact our future operating results. Failure to comply with governmental laws and regulations could harm our business. Our business is subject to regulation by various federal, state, local and foreign governmental entities, including agencies responsible for monitoring and enforcing employment and labor laws, workplace safety, product safety, environmental laws, consumer protection laws, anti- bribery laws, import / export controls, **artificial intelligence, data privacy laws,** federal securities laws, and tax laws and regulations. In certain jurisdictions, these regulatory requirements may be more stringent than those in the United States. Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, mandatory product recalls, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties or injunctions. If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, operating results, and financial condition could be materially adversely affected. In addition, responding to any action will likely result in a significant diversion of management' s attention and resources and an increase in professional fees. Enforcement actions and sanctions could harm our business, operating results and financial condition. We are subject to governmental export and import controls that could subject us to liability or impair our ability to compete in international markets. Our products are subject to U. S. export controls and may be exported outside the United States only with the required level of export license or through an export license exception because we incorporate encryption technology into our products. In addition, various countries regulate the import of certain encryption technology and have enacted laws that could limit our ability to distribute our products or our end- customers' ability to implement our products in those countries. Changes in our products or changes in export and import regulations may create delays in the introduction of our products in international markets, prevent our end- customers with international operations from deploying our products throughout their global systems or, in some cases, prevent the export or import of our products to certain countries altogether. Any change in export or import regulations or related legislation, shift in approach to the enforcement or scope of existing regulations, lapse in our ability to respond to them or obtain necessary approvals and import certifications, or change in the countries, persons or technologies targeted by such regulations, could result in decreased use of our products by, or in our decreased ability to export or sell our products to, existing or potential end- customers with international operations. Any decreased use of our products or limitation on our ability to export or sell our products would likely adversely affect our business, operating results and financial condition. If we fall out of compliance with, or are deemed to be in violation of, any applicable export or import regulations, we may incur penalties and face other consequences that could harm our sales process and financial results. We are subject to various environmental laws and regulations that could impose substantial costs upon us. Our company must comply with local, state, federal, and international environmental laws and regulations in the countries in which we do business. We are also subject to laws ~~,~~ which restrict certain hazardous substances, including lead, used in the construction of our products, such as the European Union Restriction on the Use of Hazardous Substances in electrical and electronic equipment directive. We are also subject to the European Union Directive, known as the Waste Electrical and Electronic Equipment Directive (" WEEE Directive "), which requires producers of certain electrical and electronic equipment to properly label products, register as a WEEE producer, and provide for the collection, disposal and recycling of waste electronic products. Failure to comply with these environmental directives and other environmental laws could result in the imposition of fines and penalties, inability to sell covered products in certain countries, the loss of revenue, or subject us to third-party property damage or personal injury claims, or require us to incur investigation, remediation or engineering costs. Our operations and products will be affected by future environmental laws and regulations, but we cannot predict the ultimate impact of any such future laws and regulations at this time. Our ability to use our net operating loss carryforwards may be subject to limitation and may result in increased future tax liability to us. Generally, a change of more than 50 % in the ownership of a corporation' s stock, by value, over a three- year period constitutes an ownership change for U. S. federal income tax purposes. An ownership change may limit a company' s ability to use its net operating loss carryforwards attributable to the period prior to such change. In the event we have undergone an ownership change under Section 382 of the Internal Revenue Code, if we earn net taxable income, our ability to use our pre- change net operating loss carryforwards to offset U. S. federal taxable income may become subject to limitations, which could potentially result in increased future tax liability to us. Changes in tax laws or regulations or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our operating results and financial condition. We are subject to income taxes and other taxes in the United States and various foreign jurisdictions. Our domestic and international tax liabilities will be subject to the allocation of income and expenses in differing jurisdictions. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including: • changes in the valuation of our deferred tax assets and liabilities; • expiration of, or detrimental changes in, research and development tax credit laws; • tax effects of stock- based compensation; • costs related to intercompany restructurings; • changes in tax laws, regulations, accounting principles or interpretations thereof; • future earnings being lower than anticipated in countries where we have lower statutory tax rates and higher than anticipated earnings in countries where we have higher statutory tax rates; and / or • examinations by U. S. federal, state, local or foreign jurisdictions that disagree with interpretations of tax rules and regulations and the resulting positions we have taken in tax filings. As our business grows, we are required to comply with increasingly complex taxation rules and practices. We are subject to tax in multiple U. S. tax jurisdictions and foreign tax jurisdictions due to our international expansion. The development of our tax strategies requires additional expertise and may impact how we conduct our business. Our future effective tax rates could be unfavorably affected by changes in, or interpretations of, tax rules and regulations in the jurisdictions in which we do business or changes in the valuation of our deferred tax assets and liabilities. Furthermore, we provide for certain tax liabilities that involve significant judgment. We are subject to the examination of our tax returns by federal, state, local and foreign tax authorities, which could focus on our intercompany transfer pricing methodology as well as other matters. If our tax strategies are ineffective or we are not in compliance with domestic and international tax laws, our financial position, operating results and cash flows could be adversely affected. In addition, from time to time the United States, foreign, state and local governments make substantive changes to tax rules, including tax policies and rates, that apply to businesses and shareholders. Such substantive changes could adversely impact our operations and financial results. Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the United States. Generally accepted accounting principles (" GAAP ") in the United States are subject to interpretation by the Financial Accounting Standards Board (" FASB "), the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results and could affect the reporting of transactions completed before the announcement of a change. See Note 1 Description of Business and Summary of Significant Accounting Policies of the notes to consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10- K for the effect of new accounting pronouncements on our financial statements. Any difficulties in implementing these pronouncements could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm investors' confidence in us. If we are unable to maintain effective internal controls over financial reporting, investor confidence may be adversely affected, which in turn would negatively affect the value of our common stock. We have, in the past, and may, in the future, conclude that our internal control over financial reporting is not effective. We have identified significant deficiencies and material weakness in the past that has resulted in a restatement of certain of our financial reports. If any new internal control procedures which may be adopted or our existing internal control procedures are deemed inadequate, or if we identify additional material weaknesses in our disclosure controls or internal controls over financial reporting in the future, we will be unable to assert that our internal controls are effective. If we are unable to do so, or if we are required to restate our financial statements as a result of ineffective internal control over financial reporting, or if our auditors are unable to attest on the effectiveness of our internal controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our common stock to decline. Our charter documents and Delaware law could discourage takeover attempts and lead to management entrenchment. Our restated certificate of incorporation and bylaws contain provisions that could delay or prevent a change in control of our company. These provisions could also make it difficult for stockholders to elect directors that are not nominated by the current members of our Board of Directors or take other corporate actions, including effecting changes in our management. These provisions include: • the ability of our Board of Directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preference and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer; • the exclusive right of our Board of Directors to elect a director to fill a vacancy created by the expansion of our Board of Directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our Board of Directors; • a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders; • the requirement that a special meeting of stockholders may be called only by the chairman of our Board of Directors, our Chief Executive Officer, our president (in the absence of a chief executive officer), or a majority vote of our Board of Directors, which could delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors; • the ability of our Board of Directors, by majority vote, to amend the bylaws, which may allow our Board of Directors to take additional actions to prevent an unsolicited takeover and inhibit the ability of an acquirer to amend the bylaws to facilitate an unsolicited takeover attempt; and • advance notice procedures with which stockholders must comply to nominate candidates to our Board of Directors or not to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer' s own slate of directors or otherwise attempting to obtain control of us. In addition, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law. These provisions may prohibit large stockholders, in particular those owning 15 % or more of our outstanding voting stock, from merging or combining with us for a certain period of time. Our bylaws designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents. Our bylaws provide that, unless we consent in writing to an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, any action arising pursuant to any provision of the Delaware General Corporate Law (" DGCL "), our certificate of incorporation or our bylaws, or any action asserting a claim that is governed by the internal affairs doctrine, in each case subject to the Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein and the claim not being one which is vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery or for which the Court of Chancery does not have subject matter jurisdiction. This exclusive forum provision does not apply to suits brought to enforce a duty or liability created by the Securities Exchange Act of 1934. It could apply, however, to a suit that falls within one or more of the categories enumerated in the exclusive forum provision and asserts claims under the Securities Act of 1933, as amended, or the Securities Act, inasmuch as Section 22 of the Securities Act, creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. There is uncertainty as to whether a court would enforce this provision with respect to claims under the Securities Act, and our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder. This choice of forum provision may limit our stockholders' ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits against us and our directors, officers, employees and agents even though an action, if successful, might benefit our stockholders. Stockholders who do bring a claim in the Court of Chancery could face additional litigation costs in pursuing any such claim, particularly if they do not reside in or near Delaware. The Court of Chancery may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments or results may be more favorable to us than to our stockholders. Alternatively, if a court were to find this provision of our bylaws inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could have a material adverse effect on our business, financial condition or results of operations. Increasing attention on environmental, social and governance (“ ESG ”) matters may have a negative impact on our business, impose additional costs on us, and expose us to additional risks. Companies are facing increasing attention from investors, customers, partners, consumers and other stakeholders relating to ESG matters, including environmental stewardship, social responsibility, diversity and inclusion, racial justice and workplace conduct. In addition, organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters. Such ratings are used by some investors to inform their investment and voting decisions. Unfavorable ESG ratings may lead to negative investor sentiment toward the Company, which could have a negative impact on our stock price and our access to and costs of capital. We have established corporate social responsibility programs aligned with sound environmental, social and governance principles. These programs reflect our current initiatives and are not guarantees that we will be able to achieve them. Our ability to successfully execute these initiatives and accurately report our progress presents numerous operational, financial, legal, reputational and other risks, many of which are outside our control, and all of which could have a material negative impact on our business. Additionally, the implementation of these initiatives imposes additional costs on us. If our ESG initiatives fail to satisfy investors, customers, partners and our other stakeholders, our reputation, our ability to sell products and services to customers, our ability to attract or retain employees, and our attractiveness as an investment, business partner or acquirer could be negatively impacted. Similarly, our failure or perceived failure to pursue or fulfill our goals, targets and objectives or to satisfy various reporting standards within the timelines we announce, or at all, could also have similar negative impacts and expose us to government enforcement actions and private litigation. Risks Related to Capitalization and Financial Markets We are exposed to fluctuations in currency exchange rates, which could negatively affect our results of operations. Our consolidated results of operations, financial position and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. Historically, the majority of our revenue contracts are denominated in U. S. Dollars, with the most significant exception being Japan, where we invoice primarily in the Japanese Yen. Our expenses are generally denominated in the currencies in which our operations are located, which is primarily in the Americas and EMEA. Revenue resulting from selling in local currencies and costs incurred in local currencies are exposed to foreign currency exchange rate fluctuations that can affect our operating income. The currency exchange impact of the foreign exchange rates on our net income was $ 0. **1 million favorable during the year ended December 31, 2023. The currency exchange impact of the foreign exchange rates on our net income was $ 0.** 5 million unfavorable during the year ended December 31, 2022. The currency exchange impact of the foreign exchange rates on our net income was $ 1. 9 million unfavorable during the year ended December 31, 2021. As exchange rates vary, our operating income may differ from expectations. We deploy normal and customary hedging practices that are designed to proactively mitigate such exposure. The use of such hedging activities may not offset any, or more than a portion, of the adverse financial effects of unfavorable movements in currency exchange rates over the limited time the hedges are in place and would not protect us from long term shifts in currency exchange rates. Concentration of ownership among our existing executive officers, a small number of stockholders, directors and their affiliates may prevent new investors from influencing significant corporate decisions. As of December 31, ~~2022~~ **2023** , our executive officers and directors, together with affiliated entities, owned 5. ~~6~~ **7** % of our then outstanding common stock (~~34~~ **40** . ~~1~~ **6** % if other holders of 5 % or more of our outstanding common stock are also included). Accordingly, these stockholders, acting together, have significant influence over the election of our directors, over whether matters requiring stockholder approval are approved or disapproved and over our affairs in general. The interests of these stockholders could conflict with your interests. These stockholders may also have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their investments, even though such transactions might involve risks to you. In addition, this concentration of ownership could have the effect of delaying or preventing a liquidity event such as a merger or liquidation of our company. We may need to raise additional funds in future private or public offerings, and such funds may not be available on acceptable terms, if at all. If we do raise additional funds, existing stockholders will suffer dilution. We may need to raise additional funds in private or public offerings, and these funds may not be available to us when we need them or on acceptable terms, if at all. If we raise additional funds through further issuances of equity or convertible debt securities, you could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of our then- existing capital stock. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, that may make it more difficult for us to obtain additional capital and to pursue business opportunities. If we cannot raise additional funds when we need them, our business and prospects could fail or be materially and adversely affected. The price of our common stock has been and may continue to be volatile, and the value of your investment could decline. Technology stocks have historically experienced high levels of volatility. The trading price of our common stock has been and is likely to continue to be volatile and subject to fluctuations in response to many factors, some of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in our common stock. Factors that could cause fluctuations in the trading price of our common stock include the following: • announcements of new products, services or technologies, commercial relationships, acquisitions or other events by us or our competitors; • price and volume fluctuations in the overall stock market from time to time; • significant volatility in the market price and trading volume of technology companies in general and of companies in our industry; • fluctuations in the trading volume of our shares or the size of our public float; • actual or anticipated changes or fluctuations in our results of operations; • whether our results of operations meet the expectations of securities analysts or investors; • actual or anticipated changes in the expectations of investors or securities analysts; • litigation or investigations involving us, our industry, or both; • regulatory developments in the United States, foreign countries or both; • general economic conditions and trends; • major catastrophic events, including **pandemics** ~~COVID- 19~~ , acts of terrorism or war, or other events affecting the global economy, and the responses thereto; • cyberattacks and other information or security breaches; • sales of large blocks of our common stock; or • departures of key personnel. In addition, if the market for technology stocks or the stock market in general experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, results of operations or financial condition. The trading price of our common stock might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. In the past, following periods of volatility in the market price of a company' s securities, securities class action litigation has often been brought against that company. The price of our common stock has been highly volatile since our initial public offering in March 2014. In the past, we have experienced securities class action and related derivative litigation, and an SEC investigation, all of which have been resolved. Future securities litigation, including any related shareholder derivative litigation or investigation, could result in substantial costs and divert our management' s attention and resources from our business. This could have a material adverse effect on our business, results of operations and financial condition. Sales of a substantial amount of our common stock in the public markets, or the perception that such sales might occur, could reduce the price that our common stock might otherwise attain and may dilute your voting power and your ownership interest in us. Sales of a substantial number of shares of our common stock in the public market, or the perception that such sales could occur, could adversely affect the market price of our common stock and may make it more difficult for you to sell your common stock at a time and price that you deem appropriate. As of December 31, ~~2022~~ **2023** , there were approximately **74** ~~279 thousand vested and exercisable options to purchase our common stock, in addition to the 73~~ . ~~7~~ **4** million common shares outstanding as of such date. All outstanding shares and all shares issuable upon exercise of outstanding and vested options are freely tradable, subject in some cases to volume and other restrictions of Rules 144 and 701 under the Securities Act, as well as our insider trading policy. In addition, holders of certain shares of our outstanding common stock, including an aggregate of 3. 9 million shares held by funds affiliated with Summit Partners, L. P. as of December 31, ~~2022~~ **2023** are entitled to rights with respect to registration of these shares under the Securities Act pursuant to an investors' rights agreement. If holders of our common stock, whether by exercising their registration rights or otherwise, sell a large number of shares, they could adversely affect the market price for our common stock. If we file a registration statement for the purposes of selling additional shares to raise capital and are required to include shares held by holders pursuant to the exercise of their registration rights, our ability to raise capital may be impaired. Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could cause the market price of our common stock to decline. If securities or industry analysts do not publish research or reports about our business, or publish inaccurate or unfavorable research reports about our business, our share price and trading volume could decline. The market for our common stock, to some extent, depends on the research and reports that securities or industry analysts publish about us or our business. If analysts covering us should downgrade our share value or change their opinion of our share value, our share price would likely decline. If analysts should cease coverage of our company or fail to regularly publish reports on us based on current publicly available information, we could lose visibility in the financial markets, which would cause our share price or trading volume to decline. A reduction in or suspension or elimination of our dividend payments could have a negative effect on our stock price. On October 28, 2021, we announced that our Board of Directors approved a capital allocation strategy to return capital to our stockholders. As part of this strategy, the Board began declaring quarterly cash dividends. The declaration, amount and timing of any cash dividends are subject to capital availability and determinations by our Board of Directors that cash dividends are in the best interest of our stockholders and are in compliance with all respective laws and our agreements applicable to the declaration and payment of cash dividends. Our ability to pay dividends will depend upon, among other factors, our cash flows from operations, our available capital and potential future capital requirements as well as our results of operations, financial condition and other factors beyond our control that our Board of Directors may deem relevant. A reduction in or suspension or elimination of our dividend payments could have a negative effect on our stock price. There is no assurance that the existence of a stock repurchase program will result in repurchases of our common stock or enhance long term stockholder value, and repurchases, if any, could affect our stock price and increase its volatility and will diminish our cash reserves. On October 28, 2021, we announced that our Board of Directors approved a capital allocation strategy to return capital to our stockholders. As part of this strategy, the Company announced on November ~~1~~ **7** , ~~2022~~ **2023** that its Board authorized a $ 50 million stock repurchase program under which we may repurchase up to $ 50 million of our outstanding common stock over the following 12 months. Under the stock repurchase program, we may repurchase shares in the open market, privately negotiated transactions, in block trades or a combination of the foregoing. We are not obligated under the stock repurchase program to repurchase any specific number or dollar amount of shares of common stock, and we may modify, suspend or discontinue the stock repurchase program at any time. Our management and Board will determine the timing and amount of any repurchase in its discretion based on a variety of factors, such as the market price of our common stock, corporate requirements, general market economic conditions and legal requirements. The Company plans to fund repurchases from its existing cash balance and cash provided by operating activities. Repurchases pursuant to our current stock repurchase program or any other stock repurchase program we adopt in the future could affect our stock price and increase its volatility and will reduce the market liquidity for our stock. The existence of a stock repurchase program could also cause our stock price to be higher than it would be in the absence of such a program. Additionally, these repurchases will diminish our cash reserves, which could impact our ability to pursue possible future strategic opportunities and acquisitions and would result in lower overall returns on our cash balances. For example, on September 8, 2022, we entered into a Common Stock Repurchase Agreement with entities affiliated with Summit Partners whereby the Company purchased 3. 5 million shares of common stock for $ 12. 75 per share, or an aggregate purchase price of $ 44. 6 million. There can be no assurance that any additional stock repurchases will, in fact, occur, or, if they occur, that they will enhance stockholder value. Although the stock repurchase programs is intended to enhance long term stockholder value, short- term stock price fluctuations could reduce the effectiveness. ~~46~~